

**THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS**

Before Commissioners: Dwight D. Keen, Chair
 Susan K. Duffy
 Andrew J. French

In the matter of the failure of Ace Energy,) Docket No: 22-CONS-3336-CPEN
LLC (Operator) to comply with K.A.R. 82-)
3-111 at the Gillman #A-1 well in) CONSERVATION DIVISION
Montgomery County, Kansas.)
_____) License No: 34998

ORDER APPROVING SETTLEMENT AGREEMENT

The Commission rules as follows:

1. On March 22, 2022, the Commission issued a Penalty Order against Operator for violation of K.A.R. 82-3-111, directing Operator to pay a \$100 penalty and to plug, return to service, or obtain temporary abandonment status for the captioned well.¹
2. On April 15, 2022, Operator requested a hearing.²
3. On September 22, 2022, Operator filed a Motion to Approve Settlement Agreement. In pertinent part, the Settlement Agreement attached to Operator's motion required Operator to pay the \$100 penalty and bring the captioned well into compliance with K.A.R. 82-3-111 by October 31, 2022, with failure to meet the deadline resulting in license suspension until compliance was obtained.³ The Settlement Agreement was unsigned by Staff, but Operator reported parties were in agreement.⁴
4. On September 27, 2022, Staff filed a Motion to Approve Settlement Agreement, stating the Settlement Agreement submitted by Operator did not reflect a final agreement.⁵ The

¹ See Penalty Order, ¶ 8, Ordering Clauses A & B (Mar. 22, 2022).

² See Request for Hearing (Apr. 15, 2022).

³ See Operator Motion to Approve Settlement Agreement, at Settlement Agreement, ¶ 4 (Sep. 22, 2022).

⁴ See Operator Motion to Approve Settlement Agreement, ¶ 3 and at Settlement Agreement.

⁵ See Staff Motion to Approve Settlement Agreement, ¶ 2 (Sep. 27, 2022).

Settlement Agreement attached to Staff's motion is nearly identical to that attached to Operator's motion, except it is signed by both parties and some language was added to Paragraph 4(d) to provide requirements regarding documentation if a Well Completion Report is filed or a mechanical integrity test is conducted.

5. The law encourages settlement.⁶ The Commission finds the Settlement Agreement attached to Staff's motion constitutes a fair and reasonable resolution of this proceeding; and as it is signed by both parties, reflects the desire of the parties. The Settlement Agreement is attached to this Order and made part of this Order.

THEREFORE, THE COMMISSION ORDERS:

A. Staff's motion to approve the attached Settlement Agreement is granted; the Settlement Agreement is approved.

B. Any party may file and serve a petition for reconsideration pursuant to the requirements and time limits established by K.S.A. 77-529(a)(1).⁷

BY THE COMMISSION IT IS SO ORDERED.

Keen, Chair; Duffy, Commissioner; French, Commissioner

Dated: 10/04/2022



Lynn M. Retz
Executive Director

Mailed Date: 10/04/2022

JRM

⁶ *Bright v. LSI Corp.*, 254 Kan. 853, 858 (1994).

⁷ K.S.A. 55-162; K.S.A. 55-606; K.S.A. 55-707; K.S.A. 77-503(c); K.S.A. 77-531(b).

**BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS**

In the matter of the failure of Ace Energy, LLC)	Docket No.: 22-CONS-3336-CPEN
(Operator) to comply with K.A.R. 82-3-111 at)	
the Gillman #A-1 well in Montgomery)	CONSERVATION DIVISION
County, Kansas.)	
_____)	License No.: 34998

SETTLEMENT AGREEMENT

This Settlement Agreement is entered into by and between the Staff of the Corporation Commission of the State of Kansas (Staff and Commission, respectively) and ACE ENERGY, LLC, as Operator (collectively referred to herein as the Parties). If the Commission does not approve this Agreement by a signed Order, then this Agreement shall not be binding on either party. The effective date of this Agreement will be the date the Commission enters an order approving or amending the terms of the Agreement.

I. BACKGROUND

1) On March 22, 2022, the Commission issued a Penalty Order against Operator in Docket 22-CONS-3336-CPEN for failing to comply with K.A.R. 82-3-111 at the Gillman #A-1 well (Subject Well), API #15-125-30847-00-00, located in Section 1, Township 34 South, Range 15 East, Montgomery County, Kansas, finding that the subject well has been inactive in excess of the time allowed by regulation without being plugged, returned to service or approved for temporary abandonment (TA) status. The Penalty Order assessed a \$100.00 penalty, and directed Operator to plug the wells, return the wells to service, or obtain TA status for the wells if eligible.

2) On or about April 15, 2022, Operator timely filed a request for hearing in Docket 22-CONS-3336-CPEN.

3) On July 19, 2022, a prehearing conference was held. The Parties discussed possible resolution of the underlying issues this pending Docket. Subsequent to the prehearing conference, the Parties reached a settlement in this matter to be submitted to the Commission for approval. The terms of the settlement are set forth below.

II. TERMS OF THE SETTLEMENT AGREEMENT

4) The Parties agree that the Commission has jurisdiction and authority over this matter and pending Docket case. The Parties also agree that adoption of this Agreement is in the public interest and that the Commission should approve the terms as set forth below.

(a) Operator stipulates that it committed a violation of K.A.R. 82-3-111 with respect to the Gillman #A-1 well (Subject Well), API #15-125-30847-00-00, located in Section 1, Township 34 South, Range 15 East, Montgomery County, Kansas.

(b) Operator stipulates that it is required to comply with K.A.R. 82-3-111 regarding the Gillman #A-1 well (Subject Well), API #15-125-30847-00-00, located in Section 1, Township 34 South, Range 15 East, Montgomery County, Kansas.

(c) Operator shall pay the \$100 penalty assessed by the Commission in Docket 22-CONS-3336-CPEN by the 31st day of October, 2022.

(d) Operator agrees to bring the Gillman #A-1 well (Subject Well), API #15-125-30847-00-00 into compliance with K.A.R. 82-3-111 by plugging the well, returning the well to service or obtaining TA status for the well. Operator will bring the Subject Well into compliance with K.A.R. 82-3-111 by October 31, 2022. To obtain TA status for the well, Operator will file a completed Well Completion Form (ACO-1) for the Subject Well, provide proof of a valid lease for the well, perform a successful mechanical integrity test (MIT) on the well, and file an exception to the 10-year TA rule in K.A.R. 82-3-111(b) that receives approval from the Commission. To

return the Subject Well to service, Operator will file a completed ACO-1 for the Subject Well, provide proof of a valid lease for the well, perform a successful MIT on the well, and inform District Staff in writing that the well has been returned to service. If Operator files an ACO-1, Operator will provide appropriate documentation for all the information included in the ACO-1, or the Subject Well will be logged by Operator in order to provide accurate information for the ACO-1. If Operator performs an MIT on the Subject Well, Staff must witness the MIT.

(e) Failure to timely bring the Subject Well into compliance by the appropriate deadline, or to pay the penalty by the appropriate deadline, shall result in suspension of Operator's license. Operator agrees and understands that if its license is suspended for the failure to meet the deadlines above, the license shall remain suspended until the Subject Well has been brought into compliance with K.A.R. 82-3-111. Staff may prioritize the order in which the Subject Well is addressed pursuant to this Agreement and may adjust the prioritization at any time during this Agreement should the Subject Well become known to Staff to be a pollution or public safety threat. Operator shall notify Staff in writing if the Subject Well is returned to service following compliance with the terms of this Agreement.

5) Operator agrees to waive its right to appeal the Commission's order approving this Agreement, and any penalties assessed under this Agreement.

IN WITNESS WHERETO, the Parties hereby execute and approve this Settlement Agreement by subscribing their signatures below.

Commission Staff:

By: /s/ Tristan Kimbrell
Printed Name: Tristan Kimbrell
Title: Litigation Counsel
Date: 9/27/2022

ACE ENERGY, LLC,
a Kansas Limited Liability Company
(Operator)

By: /s/ Jonathan Freiden
Printed Name: Jonathan Freiden
Title: Member/Manager
Date: 9/27/2022

CERTIFICATE OF SERVICE

22-CONS-3336-CPEN

I, the undersigned, certify that a true copy of the attached Order has been served to the following by means of
electronic service on 10/04/2022.

DAVID J. BIDEAU
BIDEAU LAW OFFICES, LLC
18 NORTH FOREST
PO BOX 945
CHANUTE, KS 66720-0945
djb@bideaulaw.com

RYAN DULING
KANSAS CORPORATION COMMISSION
DISTRICT OFFICE NO. 3
137 E. 21ST STREET
CHANUTE, KS 66720
r.duling@kcc.ks.gov

TRISTAN KIMBRELL, LITIGATION COUNSEL
KANSAS CORPORATION COMMISSION
CENTRAL OFFICE
266 N. MAIN ST, STE 220
WICHITA, KS 67202-1513
t.kimbrell@kcc.ks.gov

JONATHAN R. MYERS, ASSISTANT GENERAL COUNSEL
KANSAS CORPORATION COMMISSION
266 N. Main St., Ste. 220
WICHITA, KS 67202-1513
j.myers@kcc.ks.gov

TROY RUSSELL
KANSAS CORPORATION COMMISSION
DISTRICT OFFICE NO. 3
137 E. 21ST STREET
CHANUTE, KS 66720
t.russell@kcc.ks.gov

/S/ KCC Docket Room

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